



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CAMPBELL COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Campbell County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$140,834 from the prior calendar year, resulting in a cash surplus of \$340,820 as of December 31, 2000. Revenues decreased by \$15,851 from the prior year and disbursements increased by \$43,301.

Report Comment:

Lacks Adequate Segregation Of Duties.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	7
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Steven Pendery, Campbell County Judge/Executive

Honorable John Dunn, Campbell County Sheriff

Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Campbell County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts, and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Steven Pendery, County Judge/Executive
Honorable John Dunn, Campbell County Sheriff
Members of the Campbell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2001, on our consideration of the County Sheriff's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 18, 2001

CAMPBELL COUNTY
JOHN DUNN, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2000

Receipts

State Fees for Services

Finance and Administration Cabinet	\$ 138,677	
KLEPF	29,834	
Return of Fugitives	<u>20,482</u>	\$ 188,993

Circuit Court Clerk

Sheriff's Security Service	\$ 65,435	
Warrant Fees	<u>760</u>	66,195

Fiscal Court

Election Expense	\$ 500	
Transportation	3,264	
Postage	<u>10,000</u>	13,764

County Clerk - Delinquent Taxes

10,994

Commission on Taxes

841,215

Fees Collected for Services:

Auto Inspections	\$ 36,420	
Tax Fees	64,970	
Serving Papers	72,130	
Transportation - Others	1,786	
Carrying Concealed Deadly Weapon Permits	<u>24,765</u>	200,071

Other Receipts:

Interest Earned	\$ 44,271	
Miscellaneous	<u>267</u>	<u>44,538</u>

Gross Receipts

\$ 1,365,770

CAMPBELL COUNTY
 JOHN DUNN, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	16,095
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Other Disbursements:

Postage	\$	10,000	
Return of Fugitive Expense		<u>17,349</u>	<u>27,349</u>

Total Disbursements			<u>\$</u>	<u>43,444</u>
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Net Receipts			\$	1,322,326
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Payments to State Treasurer:

75% Operating Fund	\$	1,062,854	*	
25% County Fund		<u>259,472</u>		<u>1,322,326</u>

Balance Due at Completion of Audit			<u>\$</u>	<u>0</u>
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* Includes reimbursed expenses in the amount of \$284,441 for the audit period.
 See Note 1B of Notes To Financial Statements.

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
JOHN DUNN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 2000

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2000	\$ 199,986	\$ 5,598	\$ 205,584
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,062,854		1,062,854
Fees Paid to State - County Funds (25%)		259,472	259,472
Total Funds Available	<u>\$ 1,262,840</u>	<u>\$ 265,070</u>	<u>\$ 1,527,910</u>
<u>Disbursements</u>			
Campbell County Government	\$	\$ 264,276	\$ 264,276
Personal Services-			
Officials Statutory Maximum	76,250		76,250
Deputies' Salaries	556,422		556,422
Employee Benefits-			
Social Security	45,946		45,946
Retirement	625		625
Hazardous Duty	67,980		67,980
Health Insurance	45,875		45,875
Unemployment	1,841		1,841
Contracted Services-			
Advertising	502		502
Materials and Supplies-			
Office Materials and Supplies	3,551		3,551
Uniforms			
Deputy Supplies/Uniforms	2,531		2,531

CAMPBELL COUNTY
 JOHN DUNN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 2000
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges-			
Service Contracts	\$ 2,334	\$	\$ 2,334
Computer Expense	4,681		4,681
Travel Expense	697		697
Postage	600		600
Legal Retainer	5,100		5,100
Vehicle Insurance	16,221		16,221
Dues	3,041		3,041
Bond	457		457
Telephone and Paging	9,839		9,839
Auto Expenses on Personal Vehicles-			
Gasoline	16,280		16,280
Maintenance and Repairs	9,941		9,941
Capital Outlay-			
Vehicles	51,306		51,306
Total Disbursements	<u>\$ 922,020</u>	<u>\$ 264,276</u>	<u>\$ 1,186,296</u>
Fund Balance - December 31, 2000	<u>\$ 340,820</u>	<u>\$ 794</u>	<u>\$ 341,614</u>

The accompanying notes are an integral part of the financial statements

CAMPBELL COUNTY
JOHN DUNN, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CAMPBELL COUNTY
JOHN DUNN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

COMMENT AND RECOMMENDATION

CAMPBELL COUNTY
JOHN DUNN, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESS:

Lacks Adequate Segregation of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations.

County Sheriff's Response:

We understand.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Campbell County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated October 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Sheriff's financial statements for the year ended December 31, 2000, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 18, 2001

